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INTRODUCTION

The Office of Internal Audit performed an audit of Kalamazoo County DHS for the period October 1, 2004 through March 31, 2005. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Department of Human Services (DHS) are being followed. Kalamazoo County DHS had 185 full time equated positions (FTE's) at the time of our review. Kalamazoo County DHS provided assistance to an average 26,799 recipients per month in FY 2004, with total assistance payments of \$33,087,833 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Kalamazoo County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	State Emergency Relief (SER)
Direct Support Services	Customer Processing
CIMS/ASSIST/LASR	Children's Protective Services
Payroll and Timekeeping	Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Kalamazoo County DHS internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. However, we did find instances of noncompliance with DHS policies and procedures, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Kalamazoo County DHS has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated September 27, 2005 that they are in general agreement with the report. They have implemented corrective action for items 1, 4, and 6. They need assistance from Central Office to implement appropriate corrective action for items 2, 3, and 5.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

No findings in this area.

Cash Disbursements

DHS-849 Authorization/Invoice

1. Kalamazoo County was not completing the DHS-849 correctly. Workers were not entering an amount in the client pay box when applicable as required by Accounting Manual Item 412. If this box is not completed, the county could overpay the vendor.

WE RECOMMEND Kalamazoo County DHS ensure that its workers complete the client pay box of the DHS-849 when applicable, as required by Accounting Manual Item 412.

General Ledger

Reconciliation of Cash With County Treasurer

2. Kalamazoo County DHS increased its bank account, but the increase was not reflected in the County Treasurer's books. Therefore, the amount of increase shows as a reconciling item on each monthly reconciliation of Cash with the County Treasurer.

WE RECOMMEND that Kalamazoo County DHS work with the County Treasurer to bring the account into balance.

Bank Reconciliation

- 3 Kalamazoo County DHS did not properly complete its reconciliation of the Cash Disbursing Account. The adjusted bank balance does not agree with the adjusted book balance. Adjusting entries have been carried forward from month to month without determining the cause of the discrepancy. Accounting Manual Item 405 provides instructions for correcting errors in the reconciliation of the Cash Disbursing Account.

WE RECOMMEND Kalamazoo County DHS reconcile its disbursing account in accordance with Accounting Manual Item 405.

Cash Reserve File

4. Kalamazoo County DHS did not maintain a Cash Reserve File as required by Accounting Manual Item 402.6. Maintaining a file with documentation for its establishment and transactions affecting Cash Reserve will ensure that the Cash Reserve is appropriately documented and accounted for.

WE RECOMMEND Kalamazoo County DHS establish and maintain a Cash Reserve file as required by Accounting Manual Item 402.6.

Modified Accrual Basis Balance Sheet

County Equity

5. Kalamazoo County DHS did not prepare the Modified Accrual Basis Balance Sheet in accordance with Accounting Manual Item 402.3. County appropriations were not included on the Balance Sheet, therefore, the County Equity on the Balance Sheet did not agree with the County Equity on the Change in County Equity form.

WE RECOMMEND Kalamazoo County DHS prepare the Modified Accrual Basis Balance Sheet in accordance with Accounting Manual Item 402.3.

Safe and Controlled Documents

No findings in this area.

State Emergency Relief

No findings in this area.

Direct Support Services

Documentation of Direct Support Services Payments

6. Kalamazoo County DHS case files did not contain a completed DHS-4749 (Support Service Determination Approval) in two of eight case files reviewed. Program Eligibility Manual Item 232 requires that the DHS-4749 be completed to document the client's eligibility for Direct Support Services.

WE RECOMMEND Kalamazoo County DHS complete a DHS-4749 for Direct Support Services payments, as required by Program Eligibility Manual Item 232.

Client Processing

No findings in this area

CIMS/ASSIST/LASR

No findings in this area.

Children's Protective Services

No findings in this area.

Payroll and Timekeeping

No findings in this area.

Procurement Card

No findings in this area